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SUBJECT: CODEL SPECTER'S MEETING WITH BINYAMIN NETANYAHU

Classified By: CDA Luis Moreno. Reason 1.4 (B/D)

1.(C) Summary: Likud Party Chairman Binyamin Netanyahu told CODEL Specter December 24 that the United States could help Israel by "neutralizing" Iran's nuclear program. Arguing that "nobody in Israel believes Iran has stopped its nuclear program," Netanyahu said the first step is increasing economic pressure on the Iranian regime. He suggested that US state pension funds divest from companies doing business with Iran and said it was important that the US not take the military option off the table. Asked about the current situation in the Palestinian Territories, Netanyahu replied, "Bring down the Hamas regime." He said Israel should create an economic peace with President Abbas using concrete projects that give Palestinians hope in the West Bank and argued that Palestinian PM Salam Fayyad would be a partner in this endeavor. Former Israeli Ambassador to the US Zalman Shoval joined Netanyahu in the meeting. End summary.

Greater Economic Pressure Is the Way to Stop Iran

2.(C) Netanyahu told Senator Arlen Specter (R-PA) and Representative Patrick Kennedy (D-RI) that Iran is still working to develop nuclear weapons and said the US should apply greater economic pressure on the regime in order to neutralize the Iranian nuclear program. He noted that in the US, eight states have passed bills requiring state pension funds to divest from European and other companies doing business with Iran. Netanyahu suggested Pennsylvania do the same, adding that intelligence reports show the measure is having an effect. He told the CODEL that Israel is passing a similar bill. Senator Specter agreed with Netanyahu that despite the recent National Intelligence Estimate (NIE), Iran continues to develop its nuclear program. In response to Specter's question about other measures the USG could take, Netanyahu advised checking whether divestment was possible for federal pensions. He suggested that Congress examine the recipients of funding and other benefits to ensure the USG is not aiding companies doing business with Iran, particularly in the gas and oil industries. Ambassador Shoval noted that the efforts of international banks and financial institutions to restrict their dealings with Iran were succeeding as well.

The International Community's Role

¶3. (C) Netanyahu dismissed the idea of letting the Russians enrich Iranian uranium and said IAEA inspections did not reveal the true state of Iran's nuclear program. Calling the nuclearization of Iran "the greatest danger to the world," Netanyahu said it was important to convince 4-5 major European countries to take stronger measures to prevent Iran from developing nuclear weapons. He emphasized the

importance of preventing not only investment in Iran but also the transfer of western technology to the Iranians. Adding that it would be difficult to get the Russians on board in the wake of the NIE, Netanyahu said that the issue of Iran was not a "political football" in Israel, as compared with the US. He noted, however, that he does not believe the NIE reflects US policy on Iran.

Bring Down Hamas, Create Economic Projects in the West Bank

¶4. (C) In response to a question from Senator Specter, Netanyahu replied that it was necessary to bring down Hamas, and that leaving Gaza in Hamas' hands was like signing a death warrant for the Palestinians. Netanyahu argued that any place Israel leaves will be taken over by Hamas or Iran. He advocated creating an economic peace with Palestinian President Mahmoud Abbas using concrete projects to show Palestinians tangible examples of success in the West Bank. This would contrast with the negative consequences of Hamas rule in Gaza. Netanyahu said he believed it would be possible to have real economic projects underway within months, and that Palestinian Prime Minister Salam Fayyad would be a good partner for such efforts. In response to Senator Specter's mention of congressional interest in conditioning aid to the Palestinians, Ambassador Shoval said there were rumors of a Fatah-Hamas coalition again. He advocated making it clear to President Abbas and Prime Minister Fayyad that the US will not provide them with assistance if they join with Hamas.

¶5. (U) CODEL Specter did not clear this cable.

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